

**Families Helping Families
of Greater Baton Rouge, Inc.
Baton Rouge, Louisiana
June 30, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/18/06

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J. CHARLES PARKER, C.P.A.
LOUIS C. McKNIGHT, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
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CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008
August 31, 2006

Independent Auditor's Report

Board of Directors
Families Helping Families of Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of

**Families Helping Families of Greater Baton Rouge, Inc.
(A Non-Profit Corporation)
Baton Rouge, Louisiana**

as of June 30, 2006, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Families Helping Families of Greater Baton Rouge, Inc. as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2006, on our consideration of Families Helping Families of Greater Baton Rouge, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

Families Helping Families of Greater Baton Rouge, Inc.
Statement of Financial Position
June 30, 2006

Assets

Current Assets

Cash and cash equivalents	\$141,957
Accounts receivable	8,683
Grants receivable	76,226
Deposits	<u>1,353</u>
<u>Total current assets</u>	<u>228,219</u>

Property and Equipment

Telephone equipment	2,990
Computer equipment	6,953
Equipment	5,249
Furniture and fixtures	14,800
Furniture and fixtures - CSHS	<u>500</u>
	30,492
Less accumulated depreciation	<u>(6,931)</u>
<u>Net property and equipment</u>	<u>23,561</u>
 <u>Total assets</u>	 <u>251,780</u>

Liabilities and Net Assets

Current Liabilities

Accounts payable	128
Accrued liabilities	<u>712</u>
<u>Total current liabilities</u>	840

Net Assets

Unrestricted	<u>250,940</u>
 <u>Total liabilities and net assets</u>	 <u>251,780</u>

The accompanying notes are an integral part of these statements.

Families Helping Families of Greater Baton Rouge, Inc.
Statement of Activities
Year Ended June 30, 2006

Revenue	
Grants	\$213,475
Contracts	142,772
Miscellaneous	<u>497</u>
<u>Total revenue</u>	<u>356,744</u>
Expenses	
General and administrative	46,072
Program services	<u>353,141</u>
<u>Total expenses</u>	<u>399,213</u>
Change (Decrease) in Net Assets	(42,469)
Net Assets	
Beginning of year	<u>293,409</u>
End of year	<u>250,940</u>

The accompanying notes are an integral part of these statements.

Families Helping Families of Greater Baton Rouge, Inc.
Statement of Functional Expenses
Year Ended June 30, 2006

	<u>General and Administrative</u>	<u>Program Services</u>	<u>Total Expenses</u>
Accounting services		\$3,495	\$3,495
Administrative fees		2,167	2,167
Advertising		190	190
Audit fees	\$10,000		10,000
Children's clinical materials		4,968	4,968
Conference and convention	200	2,786	2,986
Consulting		2,242	2,242
Contract labor	286	19,516	19,802
Depreciation	2,836		2,836
Dues and subscriptions		200	200
Education and training expenses		1,304	1,304
Equipment rental		1,011	1,011
Family leadership academy		6,546	6,546
Insurance - general		5,019	5,019
Insurance - worker's compensation		3,088	3,088
Interest	149		149
Hurricane Katrina assistance		6,258	6,258
Lending library		2,460	2,460
Loss on disposal of fixed assets	18,381	24,619	43,000
Miscellaneous expenses		750	750
Office supplies	153	3,430	3,583
Payroll expenses	7,710	149,540	157,250
Payroll taxes	712	16,959	17,671
Postage and shipping		25,971	25,971
Printing and publications		4,414	4,414
Professional fees		643	643
Rent		21,100	21,100
Repairs and maintenance	156	1,707	1,863
Stipend		6,413	6,413
Supplies	25	15,397	15,422
Telecommunications	3,456	7,166	10,622
Travel and lodging	163	8,141	8,304
Utilities	<u>1,845</u>	<u>5,641</u>	<u>7,486</u>
<u>Total expenses</u>	<u>46,072</u>	<u>353,141</u>	<u>399,213</u>

The accompanying notes are an integral part of these statements.

Families Helping Families of Greater Baton Rouge, Inc.
Statement of Cash Flows
Year Ended June 30, 2006

Cash Flows From Operating Activities	
Change (Decrease) in net assets	(\$42,469)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities	
Depreciation	2,836
Increase in accounts receivable	(8,683)
Decrease in grants receivable	138,951
(Decrease) in operating liabilities	
Accounts payable	(3,413)
Accrued liabilities	<u>(28,782)</u>
<u>Net cash provided by operating activities</u>	<u>58,440</u>
Cash Flows From Investing Activities	
Purchase of equipment	(10,043)
Loss on disposal of equipment	<u>43,000</u>
<u>Net cash provided by investing activities</u>	<u>32,957</u>
Net Increase in Cash	91,397
Cash, beginning of year	<u>50,560</u>
Cash, end of year	<u>141,957</u>
Supplemental Disclosures of Cash Flow Information	
Interest paid	<u>149</u>

The accompanying notes are an integral part of these statements.

Families Helping Families of Greater Baton Rouge, Inc.
Notes to Financial Statement
June 30, 2006

Note 1-Summary of Significant Accounting Policies

A. Organization

Families Helping Families of Greater Baton Rouge, Inc. (FHFGBR) is a nonprofit corporation founded on January 10, 1998. The organization's mission is to provide individualized services, information, resources, and support needed to positively enhance the independence, productivity and integration of persons with developmental disabilities in the Greater Baton Rouge area.

The Agency's funding resources include federal and state grants and contracts. The Agency offers a wide range of services:

State Department of Education (SDE) - Provides training, education and empowerment of families of children with disabilities through workshops, presentations and one on one support to develop an individualized education/transition plan to help students to learn in an inclusive environment to ensure full and valued membership in the community.

Early Childhood Supports and Services (ECSS) - Develop a local integrated comprehensive system of care for children up to 5 years of age and their families in East Baton Rouge Parish.

Children's Special Health Services (CSHS - Parent Liaison) - Provides information and referral, education, training and one on one support to families enrolled in Children's Special Health Services.

Community Outreach Specialist (COS) - Provides information and training about Early Steps, FHFGBR's and other community support and services for children birth to 3 years of age.

Louisiana Developmental Disabilities Council (DDC) - Provides administrative and related functions of Families Helping Families of Greater Baton Rouge.

Capital Area Human Services District (CAHSD/OCDD) - Provides information and referrals to persons with developmental disabilities and their families through workshops, presentations, peer to peer support and one on one support.

B. Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all receivables, payables, and other liabilities.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Non-Profit Organizations". In applying SFAS No. 117, FHFGBR is not considered to be a health and welfare organization. However, under SFAS No. 117, FHFGBR is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. FHFGBR has no temporarily or permanently restricted net assets.

Families Helping Families of Greater Baton Rouge, Inc.
Notes to Financial Statement
June 30, 2006

Note 1-Summary of Significant Accounting Policies (Continued)

C. Property and Equipment

Property and equipment is recorded at cost; or, if donated, at fair market value at date of donation. Depreciation is provided for on a straight-line basis in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives. Estimated useful lives range from 3 to 10 years.

Expenditures for major additions of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

D. Income Taxes

FHFGBR is exempt from income tax under IRC Section 501(c)(3) and is not classified as a private foundation. FHFGBR is required to file Form 990 with the Internal Revenue Service.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, FHFGBR considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management which might affect these financial statements include, but are not limited to the following items:

- Allocations of operating expenses between program activities and management and general function.

G. Revenue and Support

Government grants, which are considered exchange transactions, are recognized as revenue when allowable costs are incurred to provide the services as provided for under the terms of the grant agreements. Advances under the grants are recorded as deferred income until such time as they are recognized as revenue.

H. Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense for 2006 was \$190.

Note 2-Lease Commitment

FHFGBR leases office space at 778 Chevelle Drive in Baton Rouge, Louisiana, under operating leases expiring in 2007. FHFGBR terminated its lease at 3060 Teddy Drive in September, 2005. Rental expense under these leases was \$21,100 for 2006. The following is a schedule of the future minimum lease payments.

2007	\$16,800
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Families Helping Families of Greater Baton Rouge, Inc.
Notes to Financial Statement
June 30, 2006

Note 3-Contingencies - Grant Program

Families Helping Families of Greater Baton Rouge, Inc. participates in federal and state grant programs, which are governed by various rules and regulations. Costs charged to the grant programs are subject to audit and adjustment by the grantor agency; therefore, to the extent that FHFGBR has not complied with the rules and regulations governing the grants, refunds of any money received and the collectibility of any related receivable at year end may be impaired. The Louisiana Department of Health and Human Services is currently performing an audit of its contracts and no report has been issued as of the date of the audit report. No provision has been recorded in the accompanying financial statements for such contingencies. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and FHFGBR.

Note 4-Economic Dependency

FHFGBR receives revenue through grants and contracts administered by the State of Louisiana. The grant and contract amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of funds received by FHFGBR could be reduced significantly by an amount that could adversely impact its operations. Management is not aware of any actions that will adversely effect the amount of grants the organization will receive in the next fiscal year.

Note 5-Concentration of Credit Risk

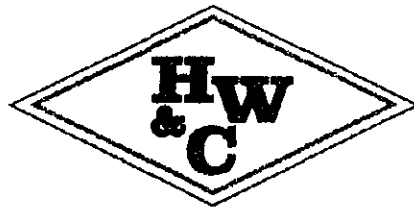
At various times during the year, cash and cash equivalents on deposit with one banking institution exceeded the \$100,000 insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the financial institution on a regular basis, along with their balances in cash and cash equivalents to minimize this potential risk.

Note 6 - Board of Directors Compensation

The Board of Directors is a voluntary board; therefore, no compensation or per diem has been paid to any Director.

Supplemental Information

J. CHARLES PARKER, C.P.A.
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CERTIFIED PUBLIC ACCOUNTANTS

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August 31, 2006

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Directors
Families Helping Families of Greater Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Families Helping Families of Greater Baton Rouge, Inc. (FHFGBR), as of and for the year ended June 30, 2006, and have issued our report thereon dated August 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered FHFGBR's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect FHFGBR's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 06-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether FHFGBR's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors, management, the Louisiana Legislative Auditor and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Yours truly,

Hawthorn, Weymouth & Canale, L.L.P.

**Families Helping Families of Greater Baton Rouge, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006**

Internal Control Matters

06-01 Lack of a Complete Set of Minutes

Condition and Criteria: There is no complete set of minutes. Board meetings are held monthly and there are no minutes for two months (August and September). This is prior year finding 05-14.

Effect: Lack of minutes.

Cause: Board minutes are not kept for every meeting.

Auditor's Recommendation: Board meeting minutes should be recorded for every meeting held.

Management's Response: Management and the current board of directors of Families Helping Families of Greater Baton Rouge, Inc. are aware of the importance of maintaining board meeting minutes as a part of the permanent records of the organization. The meeting referred to by the auditors (August and September, 2005) would have predated existing management and most of the members of the board of directors. Since October 2005, the board of directors has recorded and maintained complete and accurate minutes of all board meetings. The current management and board will continue this effort.

Families Helping Families of Greater Baton Rouge, Inc.
Schedule of Prior Year Audit Findings and Questioned Costs
Year Ended June 30, 2005

Internal Control and Non Compliance Matters

05-01 Customary Accounting Records

Conditions and Criteria: The organization did not maintain certain customary accounting records on a timely basis. The general ledger for the year ended June 30, 2005 was not prepared on a monthly basis. The general ledger was assembled by an outside contract accountant after the year ended.

Effect: There were no interim reports or financial statements to provide management and the Board of Directors concerning the organization's activities.

Auditor's Recommendations: The organization's books, records, general ledger and interim financial statements should be prepared monthly. The financial statements should also be submitted to the Board of Director on a monthly basis.

Management's Response: See accompanying letter.

Resolution: This finding was resolved in the current year.

05-02 Internal Control Over Payroll

Condition and Criteria: There is only limited internal control over the payroll function. We noted that there were missing time sheets, time sheets not approved in accordance with the organization's policy, missing and incomplete payroll registers and no documentation of approved pay rates for any employees.

Effect: Payroll amounts are subject to overpayment and are therefore considered a questioned cost.

Cause: Internal controls are not in place to assure that payroll amounts are disbursed based on approved time sheets using proper pay rates.

Population and Items Tested: A sample of 5 employees from 5 payroll records yielded the following results.

- * There were no approved time sheets for 14 of the 25 payments.
- * Information for 2 of the 25 payments was not included on payroll registers due to missing or incomplete payroll registers.
- * There were no pay rate authorizations in personnel files of the 5 employees.

Auditor's Recommendation: An internal control system over payroll disbursements should be adopted to include the following:

- * Approved pay rates should be included in each employees personnel file.
- * Each employee should prepare weekly time sheets which must be approved by a supervisory employee.
- * Payroll registers including all payroll disbursement details should be prepared and retained for each payroll.

Management's Response: See accompanying letter.

Resolution: This finding was resolved in the current year.

(Continued)

Families Helping Families of Greater Baton Rouge, Inc.
Schedule of Prior Year Audit Findings and Questioned Costs
Year Ended June 30, 2005

Internal Control and Non Compliance Matters (Continued)

05-03 Inadequate Documentation of Expenses

Condition and Criteria: There were several instances of payments being made without required documentation.

Effect: Unable to verify that expenses are accurate and/or allowable.

Cause: Lack of proper internal controls over expenditures.

Population and Items Tested: A sample of 35 transactions was selected to verify proper documentation. Our test disclosed that 15 of the 35 transactions did not include proper documentation. Fifteen payments totaling \$8,877 are considered questioned costs.

Auditor's Recommendation: Appropriate documentation should be obtained before payments are made.

Management's Response: See accompanying letter.

Resolution: This finding was resolved in the current year.

05-04 Improper Coding of Expenses

Condition and Criteria: Expenditures are coded incorrectly to general ledger expense accounts.

Effect: Expenses charged to the major program are not accurate

Cause: Lack of internal control over expenditures.

Population and Items Tested: A sample of 35 transactions were selected to verify proper coding of expenses. Our tests disclosed that 28 of the 35 payments selected were not properly coded. Questioned costs were not able to be determined.

Auditor's Recommendations: Expenditures should be coded to the proper general ledger accounts.

Management's Response: See accompanying letter.

Resolution: This finding was resolved in the current year.

05-05 Internal Controls Over Travel

Condition and Criteria: There is only limited control over the organization's travel policy. The travel policy does not require employees to turn in documentation supporting requests for travel reimbursements. Additionally, there are no procedures in place to determine that travel reimbursements are made only for out of region travel in accordance with the State of Louisiana Travel Regulations.

Effect: The organization is reimbursing employees for unallowable costs.

Cause: Internal controls are not in place to review meal expense reimbursement requests to determine that proper reimbursements are made.

(Continued)

**Families Helping Families of Greater Baton Rouge, Inc.
Schedule of Prior Year Audit Findings and Questioned Costs
Year Ended June 30, 2005**

Internal Control and Non Compliance Matters (Continued)

05-05 Internal Controls Over Travel (Continued)

Auditor's Recommendation: The organization's travel policy should be amended to require that reimbursement requests must be accompanied by supporting documentation prior to the employee being reimbursed. Additionally, procedures should be instituted to require that reimbursement requests, including supporting documentation, should be reviewed and approved by a supervisory employee before the employee is reimbursed.

Management's Response: See accompanying letter.

Resolution: This finding was resolved in the current year.

05-06 Allocation of Indirect Costs

Condition and Criteria: There is no indirect cost allocation plan in place to properly allocate indirect costs.

Effect: Program expenses are not being properly allocated; therefore, expenses charged to the major program are not accurate.

Cause: Lack of an approved cost allocation plan.

Population and Items Tested: A sample of 35 transactions were selected to verify proper allocation of expenses. Due to the lack of an indirect cost allocation plan we were not able to be determined the amount of questionable costs.

Auditor's Recommendation: A cost allocation plan should be adopted to properly allocate indirect cost to the various programs in a consistent and reasonable manner.

Management's Response: See accompanying letter.

Resolution: This finding was resolved in the current year.

05-07 Improper Allocation of Program Expenses

Condition and Criteria: Program expenses are not being properly allocated.

Effect: Program expenses are not charged to the correct program; therefore, possibly overstating requests for reimbursements.

Cause: Lack of controls in place to ensure that requests for reimbursement agree with actual expenses for that program.

Population and Items Tested: A sample of transactions were selected to verify proper allocation of program the expenses. Due to the lack of documentation and no indirect cost allocation plan, we were not able to determine amount of questionable costs.

Auditor's Recommendation: Program expenses should be properly allocated to insure proper reimbursement under contracts.

(Continued)

Families Helping Families of Greater Baton Rouge, Inc.
Schedule of Prior Year Audit Findings and Questioned Costs
Year Ended June 30, 2005

Internal Control and Non Compliance Matters (Continued)

05-07 Improper Allocation of Program Expenses (Continued)

Management's Response: See accompanying letter.

Resolution: This finding was resolved in the current year.

05-08 Allocation of Grant Revenue

Condition and Criteria: We noted that Grant revenues are not being properly allocated to their specific program.

Effect: Program revenue on the general ledger does not reflect accurate amounts of revenue received for each program.

Cause: Management is not posting deposits to the correct program as they are received.

Auditor's Recommendation: Reconcile grant revenue to the grant contracts.

Management's Response: See accompanying letter.

Resolution: This finding was resolved in the current year.

05-09 Dual Signatures on Checks

Condition and Criteria: Checks greater than \$500 are required to have dual signatures. Numerous checks were written for an amount greater than \$500 that did not have dual signatures.

Effect: The organization is not in compliance with its policies and may make unauthorized purchases.

Cause: Procedures in place to ensure that approval was obtained, where required, were not followed.

Auditor's Recommendation: Checks in excess of \$500 should be signed by management and a member of the board of directors.

Management's Response: See accompanying letter.

Resolution: This finding was resolved in the current year.

05-10 Issuing duplicate checks

Condition and Criteria: Instances of duplicate payments of invoices were noted.

Effect: Expenses are potentially overstated by a duplicate payment.

Cause: Controls not in place to ensure that duplicate payments of invoices are made.

Auditor's Recommendation: Personnel need to be trained in the purpose and effect of internal controls that are in place. Only one check should be issued for each corresponding expenditure.

Management's Response: See accompanying letter.

Resolution: This finding was resolved in the current year.

(Continued)

**Families Helping Families of Greater Baton Rouge, Inc.
Schedule of Prior Year Audit Findings and Questioned Costs
Year Ended June 30, 2005**

Internal Control and Non Compliance Matters (Continued)

05-11 Prepare Monthly Financial Statements on the Accrual Basis

Condition and Criteria: The center does not track grants receivable and accounts payable. This limits the Board of Directors ability to monitor the true financial position of the Organization.

Effect: Audit tests revealed significant unrecorded accounts payable and accounts receivable at June 30, 2005.

Cause: Management does not prepare its monthly financial statements on the accrual basis.

Auditor's Recommendation: Transactions should be recorded on the accrual basis of accounting, to enable the Board to monitor the financial position and activities of the Organization.

Management's Response: See accompanying letter.

Resolution: This finding was resolved in the current year.

Internal Control Matters

05-12 Excessive Cell Phone Usage

Condition and Criteria: FHFGBR does not have a cell phone usage policy in place.

Effect: Several bills were over the allotted minutes and had significant excess charges.

Cause: Management does not monitor cell phone usage.

Auditor's Recommendation: A cell phone policy should be implemented and management should review monthly cell phone bills to ensure that the policy is being followed.

Management's Response: See accompanying letter.

Resolution: This finding was resolved in the current year.

05-13 Board Approved Budget and Review of Financial Statements

Condition and Criteria: There is no budget that is approved and reviewed by the Board of Directors nor does the board review monthly financial statements.

Effect: The Board of Directors is not aware of activities or the financial condition of the organization.

Cause: Lack of approval of a budget and review of financial statements by the board.

Auditor's Recommendation: An annual budget should be prepared and approved by the Board. The Board should also review actual versus budgeted expenditures on a monthly basis for any significant variations.

Management's Response: See accompanying letter.

Resolution: This finding was resolved in the current year.

(Continued)

**Families Helping Families of Greater Baton Rouge, Inc.
Schedule of Prior Year Audit Findings and Questioned Costs
Year Ended June 30, 2005**

Non Compliance Matters (Continued)

05-14 Lack of a Complete Set of Minutes

Condition and Criteria: There is no complete set of minutes and the minutes were not prepared in a detailed format.

Effect: Lack of informative minutes.

Cause: Board minutes are either not kept for meetings or are not prepared in a detailed format.

Auditor's Recommendation: Board meeting minutes should be recorded in greater detail.

Management's Response: See accompanying letter.

Resolution: This finding repeats as finding 06-01 in the 2006 audit.

05-15 Control Over Property and Equipment

Condition and Criteria: Although a fixed asset register is maintained, physical control and inspection is lacking.

Effect: Lack of sufficient controls over property and equipment.

Cause: Property and equipment is not properly tagged and identified.

Auditor's Recommendation: A physical count should be conducted periodically and the locations and ID#s used for tracking assets.

Management's Response: See accompanying letter.

Resolution: This finding was resolved in the current year.

05-16 Annual Financial Reports Not Timely Submitted

Condition and Criteria: The year end financial report to the Legislative Auditor is to be submitted no more than six months after the close of the entities fiscal year.

Effect: FHFGBR is out of compliance with state audit law.

Cause: The organization did not submit the audit to the Legislative Auditor within the required time frame.

Auditor's Recommendation: The annual financial report should be submitted before the deadline by starting the engagement within 90 days of year end. The organization's Board of Directors should establish an audit committee to monitor year end and financial reporting requirements.

Management's Response: See accompanying letter.

Resolution: This finding was resolved in the current year.



It's who we are.
It's what we do.

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(225) 216-7474, toll-free: (866) 216-7474, fax (225) 216-7977
email: info@fhfgr.org website: www.fhfgr.org

January 12, 2006

United States Department of Health and Hospitals
United States Department of Education
The Louisiana Legislative Auditor

Families Helping Families of Greater Baton Rouge, Inc. (FHFGBR) respectfully submits the following corrective action plan for the year ended June 30, 2005.

Name and address of independent public accounting firm: Hawthorn, Waymouth & Carroll, L.L.P., 8555 United Plaza Boulevard, Suite 200, Baton Rouge, Louisiana 70809.

Audit period: July 1, 2004-June 30, 2005

The findings from the June 30, 2005, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Families Helping Families of Greater Baton Rouge, Inc. (FHFGBR) recognizes that the auditors' comments, 5-01 through 5-16, involve two principal areas: (1) administrative and accounting functions, and (2) board governance and oversight. These are the same two areas noted by the auditor of the financial statements for the year ended June 30, 2004. However, the audit report and findings for that year were delivered in June 2005, too late for the organization's staff and board to make the necessary corrections to impact the year ended June 30, 2005. With that in mind, the organization is committed to correcting these deficiencies during the current fiscal year. In fact, some of the areas have already been addressed and the remaining issues will be addressed by the board and staff.

FHFGBR has undergone a period of approximately two years with changes in its leadership, principally the executive director position. An individual hired in that capacity is believed to be the primary cause of most the issues cited by the auditors. That individual is no longer employed by FHFGBR as of April 2005. As an interim measure, the organization contracted in June 2005 with an individual serving as executive director of another FHF program in Louisiana. She has worked diligently to insure that some of the problems encountered by the auditors in the year ended June 30, 2005, would not be repeated in following years. Additionally, FHFGBR has hired a new executive director effective December 12, 2005.

Families Helping Families mission is to provide information and referral, education, training and peer to peer support to individuals with disabilities and their families.

One of the priority items for our new director is to address the administrative and accounting shortfalls noted by the auditors. Also, the board has undertaken a review of its governance of the organization with a commitment to provide effective oversight of our new director and her performance as our chief executive officer. The organization has recruited 7 new board members to replace board members lost over the last several years. These new board members were recruited with specific intentions by the remaining board members. They were recruited based upon technical expertise, familiarity with nonprofit boards and governance issues, and knowledge of the services provided by FHFGBR to the community.

Findings

05-01 Customary Accounting Records

Recommendation: The organization's books, records, general ledger and interim financial statements should be prepared monthly. The financial statements should also be submitted to the Board of Directors on a monthly basis.

Action Taken: We concur with the recommendation. The following action was taken effective July 1, 2005. The organization has continued to use the outside contract accountant engaged to assemble the general ledger for the year June 30, 2005, to process the accounting information on a monthly basis for the current fiscal year. The goal of the organization is to provide the board with accurate monthly financial statements comprised of a statement of financial position and a statement of activities with a comparison of actual to budget.

05-02 Internal Control Over Payroll

Recommendation: An internal control system over payroll disbursements should be adopted to include the following:

- Approved pay rates should be included in each employees personnel file
- Each employee should prepare weekly timesheets which must be approved by a supervisory employee
- Payroll registers including all payroll disbursement details should be prepared and retained for each payroll

Action Taken: We concur with the recommendation. Procedures are in place for the current year to insure that employee timesheets are prepared, signed by the employee, and approved by the employee's supervisor. These timesheets form the basis of information transmitted to an outside payroll service for preparation of the monthly payroll. These procedures were implemented July 1, 2005.

05-03 Inadequate Documentation of Expenses

Recommendation: Appropriate documentation should be obtained before payments are made.

Action Taken: We concur with the recommendation. The organization believes the deficiency regarding inadequate documentation of expenses was the result of willful acts by a former employee. Measures have been taken to secure the organization's accounting documentation. These procedures were implemented July 1, 2005.

05-04 Improper Coding of Expenses

Recommendation: Expenditures should be coded to the proper general ledger accounts.

Action Taken: We concur with the recommendation. The organization believes the timely recording of accounting information under the supervision of our staff along with the coding of expenses by staff familiar with program operations should address this finding. These procedures were implemented July 1, 2005.

05-05 Internal Control Over Travel

Recommendation: The organization's travel policy should be amended to require that reimbursement requests must be accompanied by supporting documentation prior to the employee being reimbursed. Additionally, procedures should be installed to require that reimbursement requests, including supporting documentation, should be reviewed and approved by a supervisory employee before the employee is reimbursed.

Action Taken: We concur with the recommendations. The organization intends to adopt travel policies based on the Travel Regulations of the State of Louisiana as promulgated by the State of Louisiana, Division of Administration. This action will be taken at the board meeting scheduled for January 12, 2006.

05-06 Allocation of Indirect Costs

Recommendation: A cost allocation plan should be adopted to properly allocate indirect costs to the various programs in a consistent and reasonable manner.

Action Taken: We concur with the recommendation. The organization will develop and implement an indirect cost allocation plan. To a large extent, this will be addressed by the adoption of annual operating budget. The approval of the operating budget for the fiscal year ending June 30, 2006, is scheduled for January 12, 2006.

05-07 Improper Allocation of Program Expenses

Recommendation: Program expenses should be properly allocated to insure proper reimbursement under contracts.

Action Taken: We concur with the recommendation. The adoption of a detailed annual budget based on contracts with funders reflecting the types and amounts of expenses properly chargeable to the various contracts will provide the organization with the basis to classify and monitor expenses. The approval of the operating budget for the fiscal year ending June 30, 2006, is scheduled for January 12, 2006.

05-08 Allocation of Grant Revenue

Recommendation: Reconcile grant revenue to the grant contracts.

Action Taken: We concur with the recommendation. The proper allocation of grant revenues will be made easier by the timely recording of all accounting transactions. Accounting information is now being processed on a monthly basis. These procedures were implemented July 1, 2005.

05-09 Dual Signatures On Checks

Recommendation: Checks in excess of \$500 should be signed by management and a member of the board of directors.

Action Taken: We concur with the recommendation, but have chosen a higher dollar amount requiring dual signatures. The organization at its board meeting of December 21, 2005, revised its policy requiring dual signatures on checks. The board of directors has raised the dollar level for requiring dual signatures to \$1,000 and over. The new executive director is aware of this policy and the board expects her compliance.

05-10 Issuing Duplicate Checks

Recommendation: Personnel need to be trained in the purpose and effect of internal controls that are in place. Only one check should be issued for each corresponding expenditure.

Action Taken: We concur with the recommendation. Policies already in place regarding the processing of vendor invoices for payment should have prevented the occurrence of duplicate payments. These policies will be revisited and revised as necessary.

05-11 Prepare Monthly Financial Statements on the Accrual Basis.

Recommendation: Transactions should be recorded on the accrual basis of accounting, to enable the Board to monitor the financial position and activities of the Organization.

Action Taken: We concur with the recommendation. The financial statements will be prepared on the accrual basis of accounting. We intend to implement this recommendation no later than March 31, 2006.

05-12 Excessive Cell Phone Usage

Recommendation: A cell phone policy should be implemented and management should review monthly cell phone bills to ensure that the policy is being followed.

Action Taken: We concur with the recommendation. At present, no staff person has a cell phone paid for by FHFGBR. The executive director is now paid a fixed monthly allowance for the use of her personal cell phone in connection with FHFGBR's operations. This action was taken at the Board meeting on December 21, 2006.

05-13 Board Approved Budget and Review of Financial Statements

Recommendation: An annual budget should be prepared and approved by the Board. The Board should also review actual versus budgeted expenditures on a monthly basis for any significant variations.

Action Taken: We concur with the recommendation. Our new executive director has prepared an annual budget to be presented to the board for their approval at the January 12, 2006, board meeting. We acknowledge that no budget was prepared prior to the start of the fiscal year. Going forward, the budget process will occur prior to the beginning of the fiscal year. As stated earlier, the organization is working toward having monthly financial statements presented to the board.

05-14 Lack of Complete Set of Minutes

Recommendation: Board meeting minutes should be recorded in greater detail.

Action Taken: At the time the auditors were at the office of FHFGBR, the minutes of board meetings had been removed from the organization's office. The interim executive director was not aware of them being removed and, therefore, did not know who to ask for their return. The minutes have now been returned to the corporate offices.

05-15 Control Over Property and Equipment

Recommendation: A physical count should be conducted periodically and the locations and ID#'s used for tracking assets.

Action Taken: We concur with the recommendation. A physical inventory will be conducted of all FHFGBR fixed assets and the fixed asset register will be updated. We intend to implement this recommendation no later than March 31, 2006. The board is aware some assets are missing. It is believed that this problem is also a result of intentional acts by a former employee or as a result of a lack of supervision on her part.

05-16 Annual Financial Reports Not Timely Submitted

Recommendation: The annual financial report should be submitted before the deadline by starting the engagement with 90 days of year end. The Board of Directors should establish an audit committee to monitor year end and financial reporting requirements.

Action Taken: We concur with the recommendation. The organization is aware of the reporting deadline contained in Louisiana Revised Statutes. Because of the many problems cited by the auditors, the completion of the audit engagement was delayed beyond the anticipated and contracted deadline. The organization is committed to complying with all laws and regulations and will work diligently with our auditors to ensure this finding does not repeat. The executive committee of the Board will serve as the organization's audit committee.